

## **FY 2024 PAY PLAN RECOMMENDATIONS**

### **SALARY STRUCTURE ADJUSTMENT GLIDE SCALE SALARY STRUCTURE ADJUSTMENT**

First and foremost, the Personnel Advisory Board (Board) would like to acknowledge the accomplishments that occurred during fiscal year 2022 in regards to team member salaries. On January 1, 2022, all state team members received a two percent salary increase. Two months later, on March 1, all state team members received a 5.5 percent salary increase and funding was appropriated for a \$15 per hour competitive wage. The Board appreciates all those involved in making these salary increases achievable.

Looking forward, the Board has put together the following pay plan recommendation for the State of Missouri for fiscal year 2024. This recommendation includes a salary structure adjustment as well as a glide scale approach to salary structure adjustments going forward.

#### **Salary Structure Adjustment**

The key to maintaining overall competitiveness includes adjusting salaries relative to the market. In order to recruit and retain the best public servants, the Board proposes adjusting salary structures and team member salaries accordingly in response to competitive movement of labor market compensation levels. The vast majority of team members would benefit from this type of increase, except for temporary and/or seasonal workers whose increase would be determined at the agency level.

In the past, salary structure adjustments (commonly referred to as “general structure adjustments”) came from an average of four economic indicators. Given the events of the past several years (i.e., Merit Reform; the restructuring of all Uniform Classification and Pay System classifications through the classification, compensation and career paths study; and the COVID-19 pandemic), it was important to revisit these economic indicators and explore new ones to determine whether or not they are relevant when looking at market competitiveness. The determination of that review is in the chart below.

Economic Indicator	What It Measures	Should It Be a Factor We Consider?
<b>Consumer Price Index (CPI)</b>	Percentage change in the price of a basket of goods and services consumed by households. Typically helps to understand inflation and cost of living adjustments.	Historically used and considered – Continue using since data focuses on cost of goods and services, typically referred to as cost of living.
<b>Employment Cost Index (ECI)</b>	Measures the change in total employee compensation over time.	Historically used and considered – Continue using since data focuses on employee compensation.
<b>World at Work Salary Budget Survey (W@W)</b>	Includes base salary increases and merit budgets for multiple countries, including worldwide in-depth salary budget insights	Historically used and considered – Determined not to continue using since data is only released annually.

Economic Indicator	What It Measures	Should It Be a Factor We Consider?
<b>Personal Income (PI)</b>	Compares income that residents receive from paychecks, employer-provided supplements such as insurance, business ownership, rental property, Social Security and other government benefits, interests, and dividends.	Historically used and considered – Determined not to continue using since data focuses on multiple factors outside of cost of living and employee compensation.
<b>Personal Consumption Expenditures (PCE) Price Index</b>	Prices that people living in the United States, or those buying on their behalf, pay for goods and services.	Newly considered – Determined not to use since data is not released in a timely manner.
<b>U.S. Department of Health and Human Services Poverty Guidelines</b>	Shows the minimum level of income deemed adequate in a particular country. It is used to find the total cost of all the essential resources that an average human adult consumes in one year.	Newly considered – Determined to begin using since data focuses on what is considered a livable wage.

Following the review of economic indicators, the Board proposes utilizing the CPI, ECI and poverty guidelines going forward in order to provide recommendations for adjusting salary structures and team member salaries. The following table represents the most recent data for these indicators:

Economic Indicator	Percentage Change
<b>Consumer Price Index (CPI)</b> U.S. Department of Labor, Bureau of Labor Statistics U.S. City Average for All Urban Consumers, All Items, Not Seasonally Adjusted March 2022 over August 2021 (when data was provided for supplemental budget)	5.1%
<b>Employment Cost Index (ECI)</b> U.S. Department of Labor, Bureau of Labor Statistics Wages and Salaries for Private Industry Workers in All Industries and Occupations March 2022 over June 2021 (when data was provided for supplemental budget)	4.0%
<b>Poverty Guidelines</b> U.S. Department of Health and Human Services Based on First Person 2022 over 2021	5.5%
<b>Average of Listed Indicators</b>	<b>4.9%</b>

Based on the updated economic indicators as presented in the above table, the Board recommends a 4.9 percent increase for salary structures and team member salaries.

*Note: By the time the legislative process begins in spring 2023, these figures will need updated. Up-to-date numbers will better reflect what market competitive adjustment may be necessary. The Board and the Division of Personnel will respond to any data requests related to economic indicators.*

## Glide Scale Salary Structure Adjustment

Previous proposals by the Board focused on the 2019 classification, career path, and compensation study conducted by Kenning Consulting for the Uniform Classification and Pay System. During the study, Kenning Consulting proposed salary structures with pay range minimums of 80 percent of market. Due to unforeseen circumstances (primarily COVID-19), the minimums of the pay ranges were unable to be funded. As a result, current range minimums span anywhere from 48 to 108 percent of market.

Adjusting salary structures and team member salaries should go hand-and-hand. Unfortunately, when funds are unable to be appropriated, it leads to many team members being paid well below the market in their corresponding pay range. In order to ensure team members are paid at least 80 percent of market, the Board proposes working over the next several years to gradually increase pay range minimums to 80 percent. This would entail adjustments to range minimums in fiscal years 2024, 2025, and 2026 to 60, 70, and 80 percent of market, respectively. By gradually adjusting pay range minimums, it has a smaller impact on the budget each year versus one-lump sum.

Cost estimates for fiscal year 2024 are provided on the following page. At this time, the estimated cost to increase pay range minimums to 70 percent in FY 2025 is \$3,581,994. The estimated cost to increase pay range minimums to 80 percent in FY 2026 is \$18,300,622. This information is for Uniform Classification and Pay (UCP) system agencies only. Unfortunately, market data was not readily available for non-UCP system agencies.

**Total Estimated Cost of Suggested Salary Structure Adjustment and Glide Scale Salary Structure Adjustment for FY 2024 – Based on June 30, 2022, Salaries\***

<u>UCP SYSTEM AGENCIES</u>				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Salary Structure Adjustment (4.9%)	\$42,706,099	\$34,454,583	\$77,160,682	2.820%
Glide Scale Salary Structure Adjustment	\$69,058	\$55,715	\$124,773	0.005%
Total UCP System Agencies, Salary Only	\$42,775,157	\$34,510,298	\$77,285,455	2.825%
Benefits (37.91%)	\$16,216,062	\$13,082,854	\$29,298,916	
Total UCP System Agencies, Salary Plus Benefits	\$58,991,219	\$47,593,152	\$106,584,371	

<u>NON-UCP SYSTEM AGENCIES</u>				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Salary Structure Adjustment (4.9%)	\$15,741,024	\$27,538,014	\$43,279,039	1.58%
Glide Scale Salary Structure Adjustment	N/A	N/A	N/A	
Total Non-UCP System Agencies, Salary Only	\$15,741,024	\$27,538,014	\$43,279,039	1.58%
Benefits (37.91%)	\$5,967,422	\$10,439,661	\$16,407,084	
Total Non-UCP System Agencies, Salary Plus Benefits	\$21,708,446	\$37,977,675	\$59,686,123	

<u>ALL AGENCIES</u>				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Salary Structure Adjustment (4.9%)	\$58,447,123	\$61,992,598	\$120,439,721	4.402%
Glide Scale Salary Structure Adjustment	\$69,058	\$55,715	\$124,773	0.005%
Total All Agencies, Salary Only	\$58,516,181	\$62,048,312	\$120,564,494	4.407%
Benefits (37.91%)	\$22,183,484	\$23,522,515	\$45,706,000	
Total All Agencies, Salary Plus Benefits	\$80,699,665	\$85,570,827	\$166,270,494	

\*This cost estimate **excludes** team members in the following categories:

- Below 0.49 FTE
- On a leave of absence
- Paid on a daily (per diem) basis